

C

ACKLANDS LIMITED

1983 Annual Report



This is Acklands

Acklands Limited is a Canadian-owned, publicly traded corporation, founded in 1889. It is Canada's leading warehouse distributor of replacement automotive parts and industrial supplies, with 19 large regional distribution centres and 237 branches located from Vancouver to Moncton.

This national distribution network is largely computerized to ensure the fast and efficient delivery of more than 100,000 individual products to wholesale jobbers and retailers, motorists and industrial clients virtually anywhere in Canada.

The Acklands distribution system is supported further by a network of 220 Bumper To Bumper stores, which serve as combined wholesale and retail outlets for the automotive aftermarket. Acklands directly owns 65 Bumper To Bumper stores, with the remainder managed by independent jobbers.

The Company also operates several specialty divisions for fasteners, hand and power tools, machine tools, welding equipment and paint and body shop supplies. Toro lawn care equipment is distributed in Western Canada – Yanmar tractors and marine engines in selected territories. An engine rebuilding facility is located in Saskatoon, along with other facilities for rebuilding small engine components.

Acknowledgements

1983 was another difficult year and business conditions required extra effort on the part of our employees to ensure success. We believe our employees are our most important asset and value their contributions to profit as well as to the working spirit in the company.

We extend our thanks and congratulations to our staff for their outstanding contributions.

In addition, we note, with appreciation, the assistance of our many customers and suppliers in making 1983 a success.

Annual Meeting

The Annual Meeting of Acklands Limited will be held on Tuesday, May 8, 1984 at 2:30 p.m. in the La Verendrye Room of the Carleton Club, 280 Fort Street, Winnipeg, Manitoba.

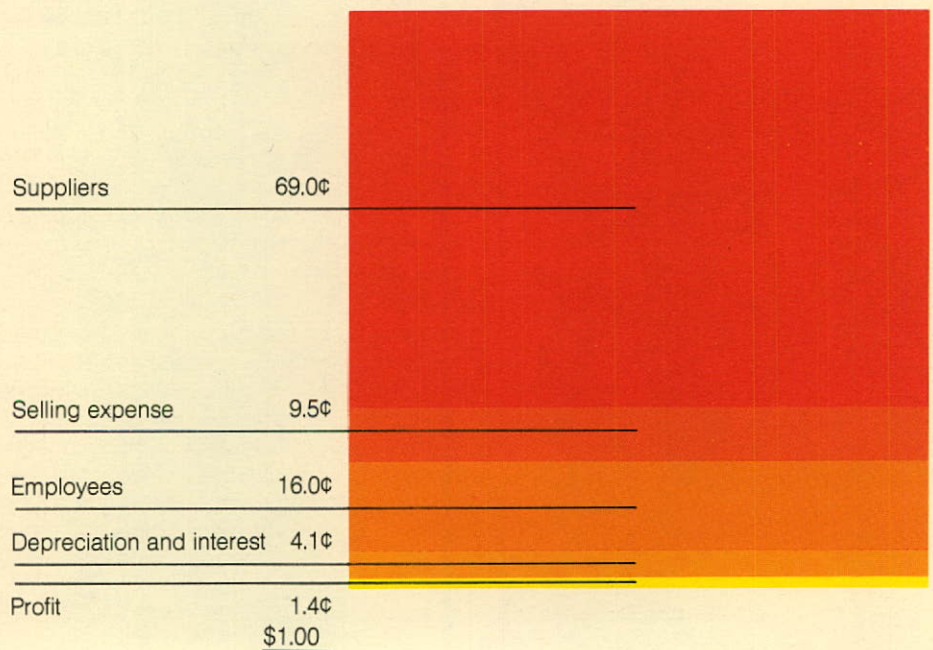
Contents

Financial highlights	1	Notes to consolidated	
President's report	2	financial statements	10
Operations review	4	Five year financial summary	13
Consolidated balance sheet	7	Financial review/ratios	14
Consolidated statement of		Board of Directors	16
income	8	Officers and staff	
Consolidated statement of		Corporate data	
retained earnings,			
Consolidated statement of			
changes in financial position	9		

Financial Highlights

	1983	1982
Sales from continuing operations	\$322,246,000	\$334,093,000
Income from continuing operations	4,221,000	2,599,000
Losses of discontinued operations	(919,000)	(5,421,000)
Extraordinary items	1,350,000	(3,990,000)
Net Income (Loss)	4,652,000	(6,812,000)
Earnings per common share — primary		
Income from continuing operations	1.29	.90
Losses of discontinued operations	(0.29)	(1.95)
Income (loss) before extraordinary items	1.00	(1.05)
Net Income (Loss)	1.43	(2.49)
Dividends paid		
Preference shareholders	76,000	107,000
Common shareholders		
— cash	1,153,000	417,000
— common stock dividend	—	665,000
Dividends paid per preference share	0.96	0.96
Dividends paid per common share		
— cash	0.30	0.15
— common stock dividend	—	0.24
Shareholders' equity	71,031,000	52,038,000
Equity per common share	18.19	17.90
Total Assets	189,072,000	202,461,000

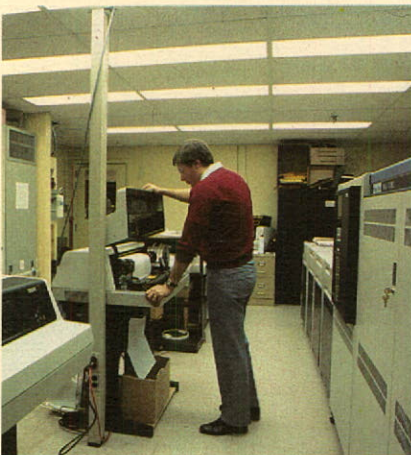
Distribution of the sales dollar



President's Report



Acklands House of Tools



Warehouse computerization



Saskatoon warehouse

It is a great pleasure for me to report that Acklands Limited is well on the way towards completing a major restructuring of its operations to create a modern, efficient and profitable national warehouse distribution system for replacement automotive parts, industrial supplies and other products. This operational and corporate restructuring has been painful in many respects, but was an essential response to the severe 1981-82 recession, a high debt level and overexposure to floating interest rates, and changes in our traditional auto parts and industrial supplies markets.

Financial Results

Last year, I indicated we planned to consolidate our operations so that we could generate earnings on much lower volume of sales. This objective was achieved.

Sales from continuing operations in 1983 totalled \$322,246,000 — a modest decline from \$334,093,000 in 1982. Discontinued operations contributed \$6,319,000 in sales, compared with \$39,666,000 the previous year. Continuing operations had a slight decrease in revenues of 3.5 percent. Net income was \$4,652,000 or \$1.43 per share — a strong recovery from the loss of \$6,812,000 or \$2.49 per share in 1982. Our return to profitability reflected strict cost controls, the divestment of unprofitable and marginal operations, the consolidation and computerization of several facilities, much reduced borrowing, lower interest costs and stronger sales growth late in the year.

Capital Base

We are confident of continued profitability, even in relatively weak economic cycles, because of our new operational efficiencies and because we have shed a substantial portion of our debt burden. The proceeds from the sale of selected assets, and the \$16 million raised from the placement of one million common treasury shares with institutional investors, were used to pay down debt.

At year end, our total debt had been reduced by \$33,553,000 to \$70,321,000. Interest costs in 1983 were nearly half the level of the previous year. Most important, our debt/equity ratio was reduced to a more favourable .99:1 compared with 2.00:1 last year.

Market Review

The \$4 billion Canadian automotive aftermarket has traditionally been served by dealers and jobbers. In recent years, distribution patterns shifted to specialist shops and mass merchandisers. As well, large retail chains aggressively strived to expand market share. In 1983, this trend was arrested somewhat as dealers and jobbers, who still dominate the aftermarket with more than 45 percent of all parts sales, re-emerged. Acklands adjusted its distribution systems to meet this revised market situation. Intense aftermarket competition prompted considerable price cutting and reduced margins. Acklands had to meet the competition in order to maintain our penetration in affected markets and, as a consequence, gross margin levels suffered. On the other hand, increasing sales volumes at the retail level through the Bumper To Bumper stores had some offset effect.

Approximately half of our volume is industrial supplies. We warehouse thousands of products, ranging from solvents and abrasives to tools, ladders and welding equipment. Our customers are firms in mining, construction, forestry products, oil and gas, coal and other key industries, as well as independent wholesalers. Sales have been under pressure with many industries, notably those which are resource-based, continuing in an economic slump. However, in 1983, sales growth was more encouraging in central and eastern Canada, though it remained soft in the western provinces. We expect industrial product markets to remain weak until the latter part of 1984; in the meantime competitive pressures are severe in these limited sectors.



Bumper To Bumper
wholesale/retail outlet

Strategic Priorities

Our Company has a strongly focused mission as Canada's pre-eminent warehouse distributor of replacement auto parts and industrial products. Today, these two core businesses represent 97 percent of our sales volumes, compared with about 82 percent five years ago. We have withdrawn from activities unrelated to auto parts and industrial supplies, with the exception of selected specialty products and an engine rebuilding plant that remain profitable ventures. We have also withdrawn from the U.S. automotive aftermarket to concentrate on our Canadian operations. In future, we will evaluate only those diversification opportunities that will directly and significantly enhance our core businesses.

We have begun to narrow our product lines by eliminating duplications. Recognizing regional market differences, we are restructuring inventories to position certain manufacturers as the primary suppliers of specific national product lines, with other suppliers in secondary positions to accommodate local customer needs. This is one of several methods we are using to achieve more profitable inventory turnover.

During the past 18 months, we revitalized our marketing expertise by establishing national marketing teams for both the automotive and industrial sectors. This approach enables us to keep in closer touch with changing customer demands throughout Canada, adjust inventories from one region to another to facilitate delivery of product to growth areas, and enhance our leverage in dealing with suppliers.

Acklands now has a cohesive, centralized management structure, replacing the loosely knit autonomous divisions of the past. All financial, investment, credit control, product selection and marketing decisions are made by the head office executive committee, based on detailed market research.

Takeover Bid

In June, Acklands was the subject of a potential takeover bid by Repco Corporation, a large Australian company. Repco announced its intention to offer \$20 per common share for 60 percent of the shares. While we were initially flattered by this offer, the major shareholders and the Board of Directors determined that the price and terms were unacceptable.

Outlook

The sales recovery that materialized in the second half of 1983 is expected to continue in 1984, although this will be unevenly spread across our regional markets, with British Columbia and Alberta lagging behind the remainder of the country. Overall, we anticipate sales will at least match growth in the Canadian economy, translating into a significant bottom line improvement; this assumes no major disruption or distortion in our markets.

Acknowledgements

We accepted with regret the resignations of Mr. Neil Walford and Mr. Edwin Austin from the Board of Directors. Joining the Board was Mr. J. Bruce Baldock, President of the Permanent Commercial Limited.

With deep regret, we mark the passing of Mr. Samuel Wallin, who served the Board with diligence for many years. His incisive contributions will be missed.

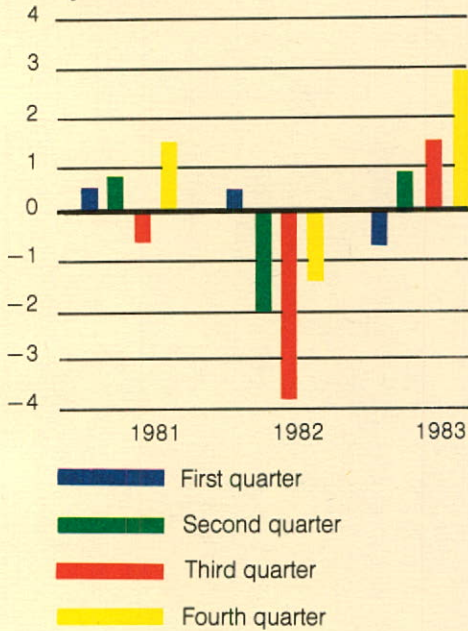
Finally, I would like to thank our employees for their dedication and determination in successfully turning around the fortunes of Acklands, setting us on a more reliable and encouraging path. Additional appreciation is due to our suppliers and customers for their outstanding co-operation and understanding.

A handwritten signature in dark ink, appearing to read 'N. Starr'.

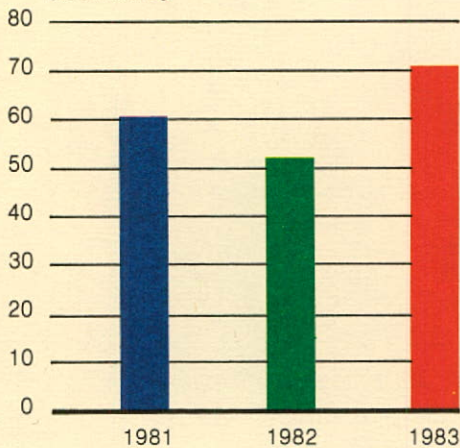
Nathan Starr
President and Chief Executive Officer

Operations Review

Net Income
by Quarter



Shareholders Equity
(\$ Millions)



Historically, our business is seasonal, with the first quarter weak, the second quarter showing marked improvement, the third quarter flat and the final quarter strong. We began last year in the grip of recession, with business volumes for auto parts and industrial products trailing the general economic recovery. The second quarter showed some growth, which accelerated during the remainder of the year. Sales volumes varied, however, across the country.

British Columbia and Alberta are historically our major markets, accounting for about 45 percent of total sales. In 1983, both provinces were in the economic doldrums. B.C. faced depressed markets for pulp, coal and lumber, which hurt our industrial product sales. The civil service strike, protracted labour negotiations and hesitant business investment all contributed to the economic uncertainty, which also reduced consumer demand for replacement auto parts.

Alberta continued its unsettling transformation from a growth economy driven by mega projects back to a more stable, resource and agricultural based province. This adjustment, combined with a loss of population, left overcapacity in almost every business sector, undermining our sales growth. We do not expect Alberta to be in a reliable recovery mode for three to five years. The Alberta division was formerly, for many years, our biggest profit contributor but it is no longer capable of sustaining earnings at previous levels.

Saskatchewan and Manitoba demonstrated stable recovery, with business levels gradually improving throughout the year. Both prairie provinces benefited from the diversity of their agricultural and resource sectors.

The Ontario economy was subdued for the first six months of 1983, but activity improved in the second half as consumer and business spending increased.

In Quebec, Acklands enjoyed its best year ever, with sales increasing by 28.2 percent. While the economy was not strong, we were able to increase our market share through an aggressive, well-targeted sales campaign directed at wholesale and retail outlets.

In the Atlantic Provinces, our Moto-Rite warehouse in Moncton showed some improvement. This warehouse has been operating for only two years, but has firmly entrenched itself in the maritime market.

Partly as a result of the economic climate, we were subjected to intense competitive pressures in 1983, probably at levels never before experienced. We were determined to not relinquish our hard-won share of market and, in fact, to enhance our position in certain instances. Because of this, our gross profit percentages fell below historic norms. We do not anticipate further diminution in 1984 but, rather, a gradual return to acceptable margins. In the meantime, we are reviewing appropriate expense categories to match costs with revenue and generate better overall performance.

Inventory Management

A central concern in warehouse distribution is to ensure that sufficient products are in stock to meet the fragmented demands of automotive parts buyers and industrial clients. Inventory costs are a major item, calling for effective management controls. In 1982, we reduced product inventories by more than \$24 million. Last year, inventories remained stable, though late in the year we began a program of reducing line duplications. This program will continue throughout 1984.

Currently, about 90 percent of our purchases are from 400 manufacturers, with another 4,000 suppliers providing the remaining products. Our aim is to develop one primary national supplier for each type of product, with secondary suppliers

providing supporting products as market conditions and customer preference dictate.

The purpose of this program is to make more effective use of our inventory, increase turnover, remove slow moving products for which more popular substitutes exist, and enhance our buying power with prime suppliers. We believe this can be accomplished without impairing customer service.

Computerization

Despite the constrained circumstances, we pressed ahead in 1982 and again in 1983 with the introduction of state-of-the-art computerization for a cost approaching \$1.9 million.

The first installation was at our Saskatoon warehouse in September, 1982. Since then, we have installed the same omnibus package in five other warehouses in Vancouver, Calgary and Edmonton. This year, warehouses in Winnipeg, Ottawa and Toronto will be computerized, giving us one of the most technologically advanced warehouse distribution systems in the country. We are also moving forward with the installation of computer terminals in urban branches where the benefits are positive.

In 1983, we endorsed the use of the Triad computer package for independent automotive jobbers. The package is compatible with our own computer system. Where numbers are sufficient, we link our warehouse computer directly with the Triad computer to facilitate computer-to-computer parts ordering.

Consolidations and Expansions

Our analysis of local and regional market requirements, and the introduction of the new computer technology, encouraged further facility consolidations last year. The decision was taken to merge two warehouses in Calgary and consolidate several facilities in Edmonton. Implementation is now in progress. Real estate made redundant by these actions will be sold under acceptable conditions.

While plant consolidations and closures during the past two years have characterized the restructuring of our distribution system, we also undertook several positive investments to optimize new growth opportunities.

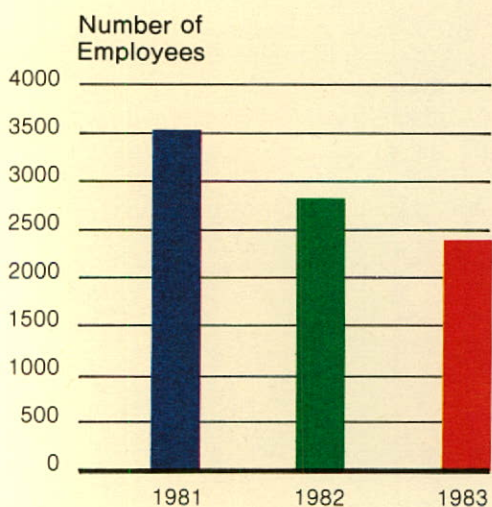
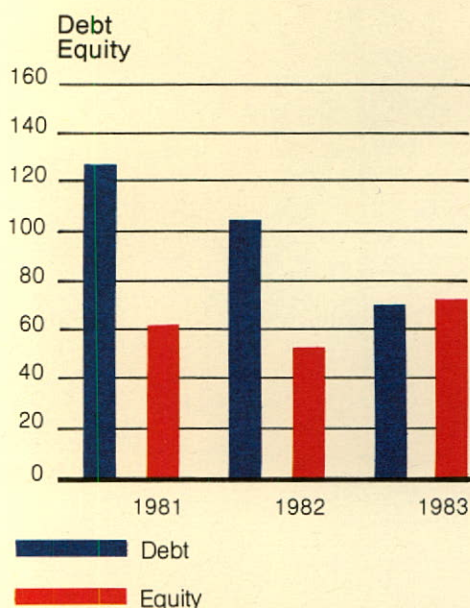
In 1983, we launched a new concept known as Acklands House of Tools with the opening of a prototype branch in Saskatoon. These stores will specialize in the sale of hand tools, power tools, fasteners and accessories to the consumer walk-in trade. The concept is similar to the Bumper To Bumper stores in that it is a convenient, effective way of servicing the do-it-yourself handyman market with professional staff providing the consumer with practical advice.

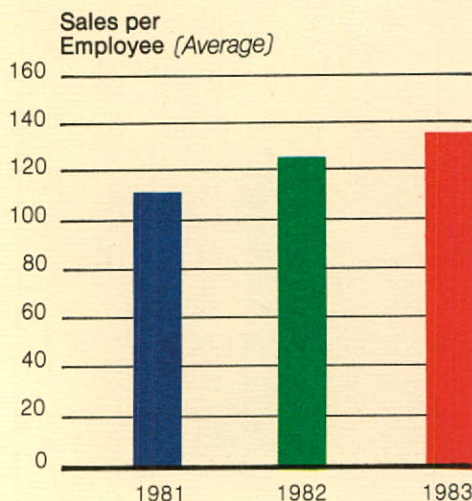
We also opened two new industrial branches in Inuvik and Norman Wells, in the Northwest Territories, to service resource development companies in the northern part of Canada. These expansions reflect our determination to establish an Acklands presence in even the most remote locations where sales gains can be made profitably.

Cost Containment

A key corporate goal was the elimination of redundant or marginal facilities, the reduction of unnecessary or excessive costs, and the improvement of productivity performance.

One consequence of our success in achieving this objective was a sharp reduction in staff and payroll costs. From a 1981 peak of 3,600 employees, our





human resources have been reduced to 2,437 employees. Approximately 20 percent of these terminations resulted from the closure of facilities. Other job reductions resulted from the improved productivity of our distribution centres.

Staff reductions, coupled with a total wage freeze last year, reduced our payroll costs by 20 percent from the 1982 level.

The installation of short-interval scheduling systems at most of our warehouses, and our ability to monitor productivity in terms of orders picked per man hour, has produced substantial savings.

An important element of our cost containment program focused on interest expense and long-term debt. Financial costs last year were reduced by \$9,266,000 to a more tolerable \$10,567,000. Total debt (long-term, short-term and loans due within one year) totalled \$70,321,000 at the 1983 year-end, down \$33,553,000 from the 1982 level. Average interest costs were cut nearly in half to 3.3 percent of sales, compared with 5.9 percent in 1982. Our debt/equity ratio was reduced to .99:1 compared with 2.00:1 the previous year.

Another measure of our progress in cost containment was the reduction in bad debts. In 1982, at the height of the recession, we experienced an extremely high level of bad debts, approaching 0.6 per cent of sales, or more than \$2.4 million. In 1983, this figure was reduced by almost half, partly due to improved economic conditions but largely as a result of stronger credit surveillance. At year-end, past due accounts represented a new record low as a proportion of total receivables.

Bumper To Bumper

1983 was the best year since the introduction of the Bumper To Bumper program; the number of associates had a net increase and purchases by them from each associated warehouse increased by 9%. These positive indications reinforce our decision to continue with and accelerate efforts with programmed distribution.

The Bumper To Bumper staff has expertise in merchandising, advertising and store operations and is motivated to develop the program to the point that it will be recognized as the standard for the automotive aftermarket. Currently, it possesses an array of features that make it the most complete business program available to a jobber/retailer. It truly has emerged as a "Business Opportunity".

The 1984 marketing theme "Get Aboard for '84" is an excellent choice as we anticipate that in 1984 the Bumper to Bumper membership will enjoy improved market penetration and operating efficiencies due to their association with the program. We also expect the numbers of associates to increase substantially.

We are continually developing new programs in marketing and advertising to increase sales with existing customers and to find and develop new opportunities. At the same time, we continue to review operations for possible cost reductions or new, more efficient methods.

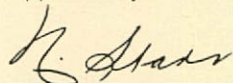
Don Dawson
Senior Vice-President and General Manager

Consolidated Balance Sheet as at November 30, 1983

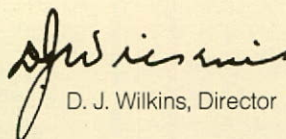
Assets	1983	1982
Current Assets		
Cash	\$ 3,605,000	\$ 3,996,000
Accounts receivable	50,427,000	52,117,000
Inventories	97,734,000	100,332,000
Prepaid expenses	1,323,000	1,189,000
	153,089,000	157,634,000
Other Assets		
Investment in 50% owned company	998,000	
Mortgages and lien notes receivable and other assets	3,432,000	4,182,000
	4,430,000	4,182,000
Fixed Assets (note 2)		
Land, buildings and equipment	52,226,000	64,824,000
Accumulated depreciation	20,673,000	24,179,000
	31,553,000	40,645,000
	\$189,072,000	\$202,461,000
Liabilities		
Current Liabilities		
Bank advances (note 3)	\$ 35,332,000	\$ 52,829,000
Accounts payable and accrued liabilities	43,208,000	44,139,000
Income and other taxes payable	650,000	465,000
Principal due within one year on long-term debt	4,230,000	4,942,000
	83,420,000	102,375,000
Long-Term Debt (note 4)	30,759,000	46,103,000
Deferred Real Estate Income	3,862,000	1,945,000
Shareholders' Equity		
Capital Stock (note 5)	33,615,000	17,664,000
Retained Earnings	37,416,000	34,374,000
	71,031,000	52,038,000
	\$189,072,000	\$202,461,000

Contingent Liabilities and Commitments (note 6)
Obligations Under Leases (note 7)

Approved by the Board



N. Starr, Director



D. J. Wilkins, Director

Auditors' Report

To the Shareholders of
Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited as at November 30, 1983 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at November 30, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
January 23, 1984


Chartered Accountants

Consolidated Statement of Income year ended November 30, 1983

	1983	1982
Sales from continuing operations	\$322,246,000	\$334,093,000
Cost of sales, selling and administrative expenses	304,910,000	311,930,000
	17,336,000	22,163,000
Other expenses		
Depreciation	2,691,000	2,580,000
Interest on long-term debt	4,696,000	7,870,000
Other interest	5,871,000	11,963,000
	13,258,000	22,413,000
	4,078,000	(250,000)
Gain on sale of fixed assets	930,000	1,570,000
	5,008,000	1,320,000
Income tax (reduction) (note 8)	787,000	(1,279,000)
Income from continuing operations	4,221,000	2,599,000
Losses of discontinued operations (note 9)	(919,000)	(5,421,000)
Income (loss) before extraordinary items	3,302,000	(2,822,000)
Extraordinary items (note 10)	1,350,000	(3,990,000)
Net Income (Loss)	\$ 4,652,000	\$ (6,812,000)
Earnings (Loss) Per Share (note 11)		
Income from continuing operations	\$ 1.29	\$ 0.90
Losses of discontinued operations	(0.29)	(1.95)
Income (loss) before extraordinary items	1.00	(1.05)
Net income (loss)	1.43	(2.49)

Management's Reporting Responsibility

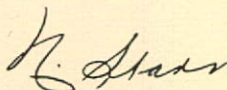
Management has prepared and is responsible for the accuracy, integrity and objectivity of the financial information contained in this Report. The consolidated financial statements are in accordance with Canadian generally accepted accounting principles consistently applied in all material respects. These statements reflect the judgement of management and the use of estimates when necessary. The financial information contained elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains a system of internal accounting controls and procedures designed to provide reasonable assurance as to the accuracy and reliability of financial records. These controls are subject to an ongoing review by internal audit staff.

The Company's independent auditors, Thorne Riddell, have conducted an examination of the Company's financial records in accordance with Canadian generally accepted auditing standards. This examination includes procedures necessary to support their opinion on the financial statements of the Company.

The Board of Directors oversees management's financial reporting responsibilities through its Audit Committee (composed of outside directors) which meets with management and the independent auditors to review accounting, auditing and financial reporting matters.

On Behalf of Management:



Nathan Starr,
President & Chief Executive Officer



Arnold Glass,
Vice-President Finance

Consolidated Statement of Retained Earnings

Year ended November 30, 1983

	1983	1982
Balance at beginning of year	\$34,374,000	\$42,375,000
Net income (loss)	4,652,000	(6,812,000)
	39,026,000	35,563,000
Deduct		
Dividends declared on		
Second preference shares	76,000	107,000
Common Shares		
Cash	1,153,000	417,000
Common stock dividend		665,000
	1,229,000	1,189,000
Share issue expenses	381,000	
	1,610,000	1,189,000
Balance at End of Year	\$37,416,000	\$34,374,000

Consolidated Statement of Changes in Financial Position

Year ended November 30, 1983

	1983	1982
Working Capital Derived From		
Operations		
Income (loss) before extraordinary items	\$ 3,302,000	\$ (2,822,000)
Add (deduct) items not involving working capital		
Depreciation	2,830,000	3,330,000
Income taxes (deferred)	441,000	(1,317,000)
Gain on sale of fixed assets	(1,017,000)	(1,616,000)
Other items	431,000	(323,000)
	5,987,000	(2,748,000)
Increase in long-term debt	1,935,000	1,116,000
Proceeds from sale of fixed assets	3,005,000	4,669,000
Proceeds on sale and lease back of property	6,093,000	5,521,000
Proceeds from sale of subsidiary companies (less working capital at time of sale of \$1,203,000)	2,071,000	
Reduction of mortgages and lien notes receivable and other assets	796,000	760,000
Reclassification of investment in 50% owned companies		1,043,000
Issue of treasury common shares	16,000,000	
	35,887,000	10,361,000
Working Capital Applied to		
Closure costs of discontinued operations	423,000	3,138,000
Additions to fixed assets	3,435,000	4,053,000
Reduction of long-term debt	13,791,000	10,384,000
Dividends in cash	1,229,000	524,000
Purchase of second preference shares	54,000	945,000
Increase in investment in 50% owned company	1,081,000	
Share issue expenses	381,000	
Increase in mortgages and lien notes receivable and other assets	1,083,000	1,123,000
	21,477,000	20,167,000
Increase (Decrease) in Working Capital	14,410,000	(9,806,000)
Working Capital at Beginning of Year	55,259,000	65,065,000
Working Capital at End of Year	\$69,669,000	\$55,259,000

Notes to Consolidated Financial Statements year ended November 30, 1983

1. Accounting Policies

- (a) Principles of consolidation
The consolidated financial statements include the accounts of all subsidiary companies. The operating results of all subsidiaries are included in the consolidated financial statements from the dates of acquisition and the acquisitions are accounted for as purchases.
- (b) Inventories
Inventories are valued at the lower of cost and net realizable value.
- (c) Investment in 50% owned company
It is the company's practice to include in income its equity in net earnings of companies 50% owned and to reflect in the investment account its equity in undistributed earnings.
- (d) Fixed assets
Fixed assets are stated at cost. Depreciation is recorded on a basis to amortize the cost of fixed assets over their estimated useful lives and the rates applied are substantially as follows
Buildings
2% Straight-line
Equipment, other than automotive
10% Straight-line
Equipment, automotive
30% Diminishing balance
Leasehold improvements
Over the unexpired terms of the lease
- (e) Deferred real estate income
The profits realized on the sale and lease back of property have been deferred and are being amortized over various periods according to the terms of the related leases.
- (f) Leases
Leases are classified as either capital or operating leases. Leases that substantially transfer all of the benefits and risks of ownership of property to the company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is being depreciated on the same basis as described in note (d) above. Rental payments under operating leases are expensed as incurred.

2. Fixed Assets

	1983		1982	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 3,680,000		\$ 3,680,000	\$ 5,697,000
Buildings	21,110,000	\$ 4,855,000	16,255,000	22,304,000
Equipment	17,528,000	11,624,000	5,904,000	8,064,000
Equipment under capital leases	5,244,000	1,461,000	3,783,000	2,544,000
Leasehold improvements	4,664,000	2,733,000	1,931,000	2,036,000
	\$52,226,000	\$20,673,000	\$31,553,000	\$40,645,000

3. Bank Advances

Bank advances are secured by the assignment of receivables, a first floating charge on inventories and a junior floating charge on all other assets.

4. Long-Term Debt

	1983	1982
Prime related secured debentures, payable \$166,670 per month, maturing October 31, 1995	\$26,274,000	\$33,689,000
8% Note payable		2,049,000
Obligations under capital leases with maturities to 1990 (note 7)	4,041,000	2,753,000
7% to 13% Mortgages, agreements and notes payable in monthly or quarterly instalments	4,674,000	12,554,000
	34,989,000	51,045,000
Principal included in current liabilities	4,230,000	4,942,000
	\$30,759,000	\$46,103,000

Interest on the Prime Related Secured Debentures is at prime commercial lending rates plus $\frac{3}{4}$ of 1%, but not less than 11 $\frac{1}{2}$ %. The debentures are secured by a fixed charge on certain real estate, a junior floating charge on receivables and inventories and a first floating charge on all other assets.

Principal due within each of the next five years is as follows

1984	\$4,230,000
1985	3,405,000
1986	3,785,000
1987	2,908,000
1988	2,728,000

5. Capital Stock

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Non-voting second preference shares issuable in series	840,304	\$13,445,000		
Series A \$0.96 cumulative, convertible and redeemable at \$17 per share	213,821	\$ 3,421,000	83,873	\$ 1,342,000
Deduct				
Converted to common shares during the year	8,310	134,000	8,310	134,000
Purchased for cancellation during the year			3,600	57,000
	8,310	134,000	11,910	191,000
	205,511	\$ 3,287,000	71,963	1,151,000
Common shares without par value (see note)	3,878,942		2,832,555	16,322,000
Add				
Issued on conversion of second preference shares	8,310		8,310	142,000
Issued for cash			1,000,000	16,000,000
	3,887,252		3,840,865	32,464,000
				\$33,615,000

Note: The Articles of Incorporation were amended during 1983 to delete the maximum consideration for which common shares may be issued.

6. Contingent Liabilities and Commitments

- Employees' and officers' bank loans of \$5,100,000 have been guaranteed by the company to accommodate their purchase of company shares.
- On sale of a subsidiary, the buyer agreed to indemnify the company with respect to its continuing guarantee of certain obligations amounting to \$4,298,000 (U.S. \$3,440,000) and provided mortgages on real property as collateral security for such indemnity.
- Other guarantees which amount to \$1,227,000 at November 30 may reach \$1,500,000. Of this amount \$750,000 has been cross guaranteed to the company.
- The unfunded past service pension liability at November 30, 1983 is approximately \$2,464,000 and is being paid and charged to income in equal amounts until 1990.

7. Obligations Under Leases

- Capital leases
The following is a schedule by year of future minimum lease payments together with the balance of the obligations under capital leases.
- | | 1983 | 1982 |
|---|-------------|-------------|
| 1983 | | \$ 670,000 |
| 1984 | \$1,133,000 | 683,000 |
| 1985 | 1,035,000 | 592,000 |
| 1986 | 992,000 | 568,000 |
| 1987 | 985,000 | 534,000 |
| 1988 | 725,000 | 333,000 |
| 1989-1990 | 604,000 | 604,000 |
| | 5,474,000 | 3,984,000 |
| Amount representing interest | 1,433,000 | 1,231,000 |
| Balance of obligations included in long-term debt | \$4,041,000 | \$2,753,000 |
- Operating leases
The company has commitments under operating leases which, after recoveries from sub-tenants totalling \$3,534,000, call for future net rentals of \$45,088,000. Net rentals are as follows
- | | |
|-----------|--------------|
| 1984 | \$ 3,711,000 |
| 1985 | 3,465,000 |
| 1986 | 2,852,000 |
| 1987 | 2,330,000 |
| 1988 | 2,180,000 |
| 1989-2004 | 30,550,000 |

8. Income Taxes

- Provision for income taxes
Inventory allowance deductions of \$2,834,000 (\$3,335,000 in 1982) have been claimed in determining income for tax purposes. The current income tax provision for 1983 is summarized as follows
- | | |
|--|------------|
| Charged against continuing operations | \$ 787,000 |
| Recovered from discontinued operations | (346,000) |
| Recovered from extraordinary items | (441,000) |
| Income taxes payable | \$ Nil |
- Losses carried forward
At November 30, 1983 the company has the following available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts.
- | | |
|---|------------|
| Losses carried forward for tax purposes until | |
| 1984 | \$ 715,000 |
| 1985 | 104,000 |
| 1986 | 4,021,000 |
| 1987 | 633,000 |
| | 5,473,000 |
- Net timing differences resulting from revenue and expense items reported for tax purposes in different periods than for financial purposes
- | | |
|--|-------------|
| | 3,247,000 |
| | \$8,720,000 |

9. Discontinued Operations

The decision was made to close or sell two major operating divisions (three in 1982) and certain branches. Results of these operations are included in "Losses of discontinued operations" as follows

	1983	1982
Sales	\$6,319,000	\$39,666,000
Expenses including depreciation of \$139,000 (\$750,000 in 1982)	7,584,000	45,087,000
Losses for the year	1,265,000	5,421,000
Income tax (recovery)	(346,000)	
	\$ 919,000	\$ 5,421,000

Losses of discontinued operations in 1982 include the operating results of divisions and branches closed in 1983 and 1982.

10. Extraordinary Items

	1983	1982
Gain on sale of subsidiary and affiliated companies including income tax of \$230,000	\$ 1,562,000	
Closure costs of discontinued operations after income tax recovery in 1983 of \$211,000	(212,000)	\$ (3,990,000)
	\$ 1,350,000	\$ (3,990,000)

11. Earnings Per Share

- (a) The calculation of basic earnings per share, after adjusting for second preference share dividends, has been made using the weighted monthly average number of common shares outstanding in each year.
- (b) Conversion of the second preference shares does not have a dilutive effect on earnings per common share and accordingly, fully diluted earnings per share are not presented.

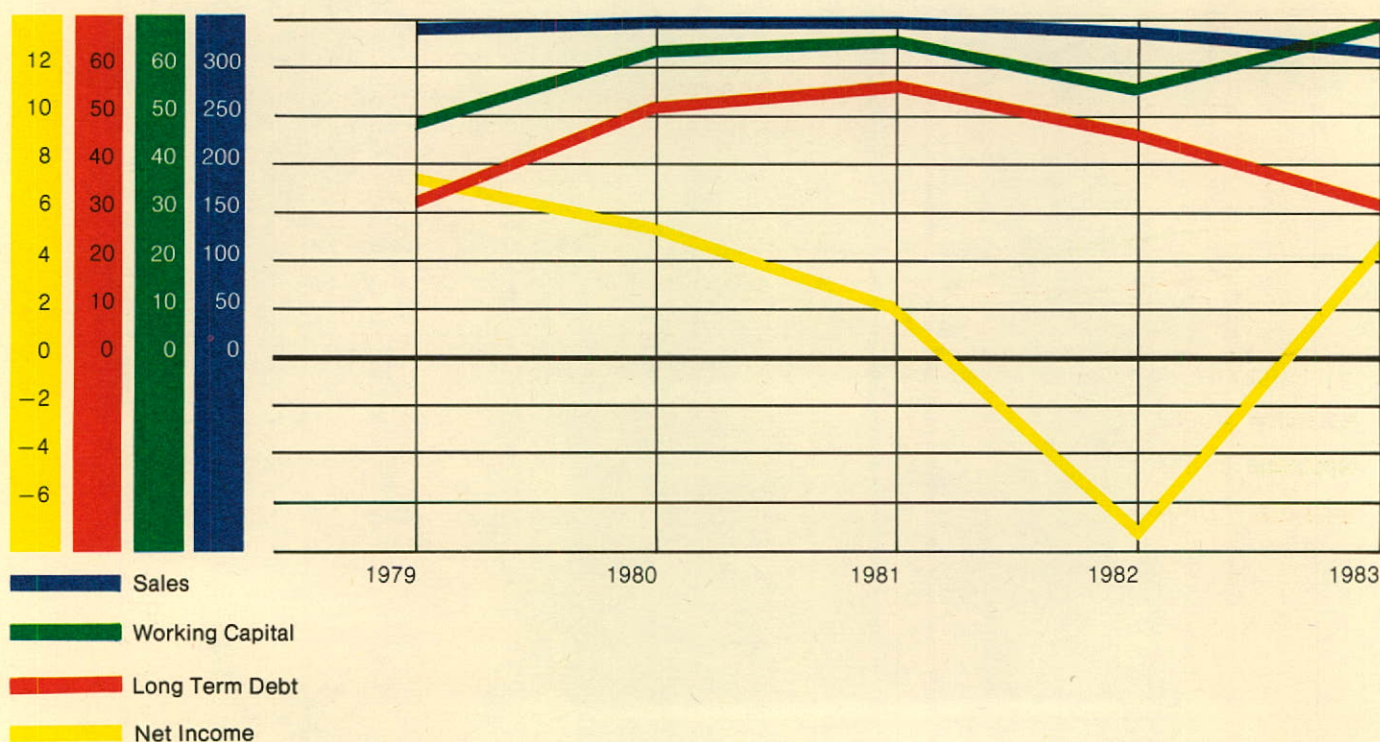
12. Segmented Information

The company is engaged in the integrated distribution of automotive and industrial products in Canada. Operations in the United States were sold early in 1983 and accordingly information as to geographic segments is no longer appropriate.

Five Year Financial Summary

	1983	1982	1981	1980	1979
Sales from continuing operations	\$322,246,000	\$334,093,000	\$350,426,000	\$349,973,000	\$335,783,000
Depreciation	2,830,000	3,330,000	3,484,000	2,742,000	2,267,000
Interest on long-term debt	4,696,000	8,435,000	10,185,000	4,144,000	3,648,000
Net income (loss)					
Including extraordinary items	4,652,000	(6,812,000)	2,049,000	5,253,000	7,265,000
Before extraordinary items	3,302,000	(2,822,000)	2,049,000	5,253,000	6,832,000
Dividends					
Preference shareholders	76,000	107,000	173,000	193,000	205,000
Common shareholders	1,153,000	1,082,000*	1,628,000	1,460,000	1,211,000
Working capital	69,669,000	55,259,000	65,065,000	64,173,000	48,852,000
Fixed assets, net	31,553,000	40,645,000	46,799,000	42,198,000	34,835,000
Long-term debt	30,759,000	46,103,000	55,371,000	49,890,000	31,155,000
Shareholders' equity	71,031,000	52,038,000	60,631,000	57,827,000	53,883,000
Total assets	189,072,000	202,461,000	239,760,000	228,348,000	208,285,000
Earnings per common share					
Including extraordinary items					
Primary	1.43	(2.49)	.69	1.98	2.80
Fully diluted	1.42	(2.38)	.71	1.74	2.37
Before extraordinary items					
Primary	1.00	(1.05)	.69	1.98	2.62
Fully diluted	1.01	(.99)	.71	1.74	2.23
Dividends paid per common share	.30	.39	.60	.57	.48
Equity per common share	18.19	17.90	20.90	21.33	20.01
Common shares outstanding	3,840,865	2,832,555	2,773,764	2,567,764	2,529,163
Number of branches	237	268	318	284	290

* 1982 figure includes stock dividend of \$665,000



Capital Expenditures by Province

	(\$ millions)	
	1983	1982
Quebec	\$.1	\$.1
Ontario	\$.2	\$.5
Manitoba	\$.4	\$.4
Saskatchewan	\$.3	\$.6
Alberta	\$1.6	\$1.3
British Columbia	\$.8	\$.8
United States	—	\$.4
Total	\$3.4	\$4.1

Return on Common (\$ millions)

	Equity	Income (Loss)	% Return
1979	\$50.6	\$ 7.3	14.4%
1980	\$54.8	\$ 5.3	9.7%
1981	\$58.0	\$ 2.0	3.5%
1982	\$50.7	\$ (6.8)	(13.4%)
1983*	\$69.9	\$ 4.7	6.7%

*During 1983 the company issued \$16,000,000 of Common Treasury Shares

Working Capital

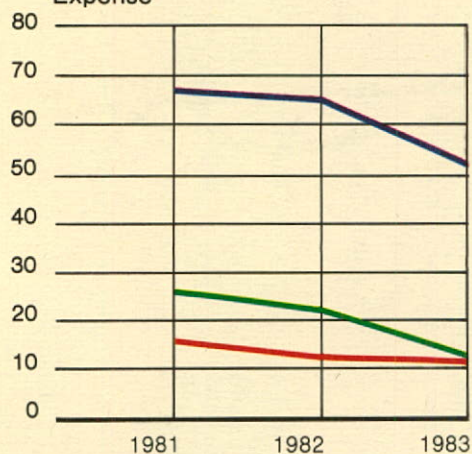
Bank advances were \$35.3 million at year end, compared with \$52.8 million in 1982. Working capital at year end totalled \$69.7 million, up \$14.4 million from \$55.3 in the prior year.

Ratio Analysis	1983	1982	1981
Working Capital	1.84:1	1.54:1	1.53:1
Debt/Equity	.99:1	2.00:1	2.11:1
Asset Turnover	1.74:1	1.85:1	1.63:1
Return on Assets	2.5%	(3.4%)	.9%
Inventory Turnover			
— including inter-company	3.3X	3.0X	3.0X
— excluding inter-company	2.3X	2.0X	2.1X
Accounts Receivable Turnover (trade only)	7.0X	7.0X	6.9X
Personnel Productivity (wages to gross profit)	51.7%	54.4%	49.6%
Sales per employee	\$135,995	\$124,545	\$116,287

Growth of Total Assets (\$ millions)

	1979	208.3	+11.0%
	1980	228.3	+ 9.6%
	1981	239.8	+ 5.0%
	1982	202.5	-15.6%
	1983	189.1	- 6.6%

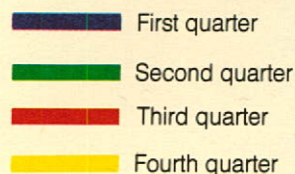
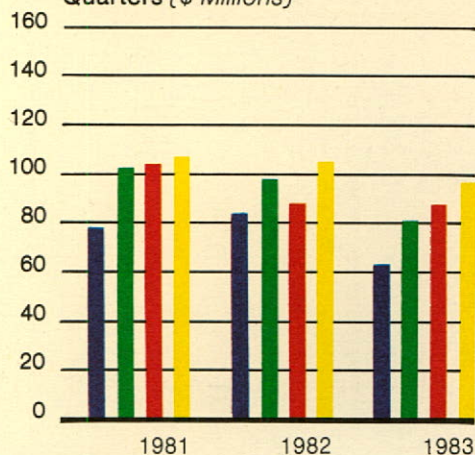
Operating Expense



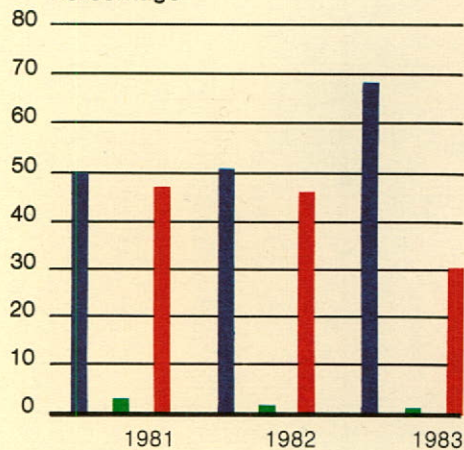
Operating Expense (\$ millions)

	1983	1982	% Change
Payroll	\$ 52.6	\$ 65.5	- 19.6
Selling	\$ 10.7	\$ 11.9	- 10.1
Premises	\$ 15.1	\$ 17.3	- 12.7
Warehouse	\$ 5.8	\$ 6.9	- 15.4
Administration	\$ 11.9	\$ 14.6	- 18.8
Depreciation	\$ 2.7	\$ 3.3	- 19.2
Interest paid	\$ 10.8	\$ 21.0	- 48.6
Gain on Sale of fixed assets	\$ (1.1)	\$ (1.6)	- 34.9
Gain on Sale of subsidiary and affiliated companies	\$ (1.3)	\$ —	-100.0
Other Income/Expenses	\$ (4.2)	\$ (4.1)	+ 1.5
	\$103.0	\$134.8	- 23.5

Sales by Quarters (\$ Millions)



Capitalization Percentage



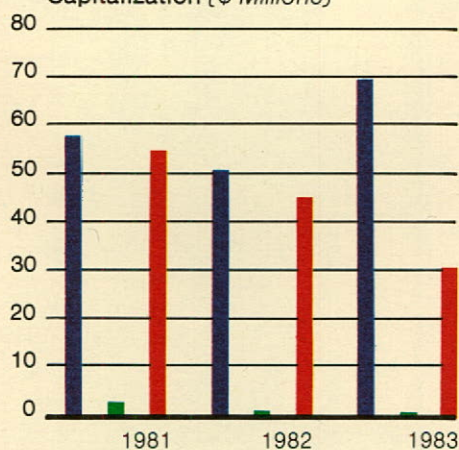
1983 Summary by Quarter (\$ millions)

	Sales (including discontinued operations)		Net Income (Loss)		Earnings per share (dollars)	
	1983	1982	1983	1982	1983	1982
First Quarter	\$ 63.4	\$ 82.5	\$ (.7)	\$.3	\$ (.25)	\$.09
Second Quarter	\$ 80.3	\$ 98.5	\$.9	\$ (2.0)	\$.31	\$ (.72)
Third Quarter	\$ 87.2	\$ 89.1	\$ 1.5	\$ (3.8)	\$.48	\$ (1.37)
Fourth Quarter	\$ 97.7	\$ 103.7	\$ 3.0	\$ (1.3)	\$.89	\$ (.49)
	\$328.6	\$373.8	\$4.7	\$ (6.8)	\$1.43	\$ (2.49)

Capitalization at Year End

	(\$ millions)		(percentage)	
	1983	1982	1983	1982
Common Equity	\$ 69.9	\$ 50.7	68.7%	51.7%
Preferred Stock	\$ 1.1	\$ 1.3	1.1%	1.3%
Long-Term Debt	\$ 30.8	\$ 46.1	30.2%	47.0%
	\$101.8	\$ 98.1	100.0%	100.0%

Capitalization (\$ Millions)



Board of Directors

Philip Ashdown
Provincial Judge, Winnipeg
J. Bruce Baldock
President, Permanent Commercial
Limited, Toronto
Berl Bessin
Assistant Vice-President
International Division
Acklands, Toronto
Moshe Bessin
Vice-President, Planning
and Research
Acklands, Toronto
Donald E. Boxer
Director, Burns Fry Limited
Toronto
Donald Carr, Q.C.
Senior Partner
Goodman and Carr, Toronto
Daniel W. Casey
Retired Bank Executive, Toronto
Donald J. Dawson
Senior Vice-President
and General Manager
Acklands, Winnipeg

Jacques Douville
Executive Vice-President and
General Manager
Société Mutuelle de Réassurance
du Québec, Ste. Foy, Québec
George Forzley
Retired Acklands Executive, Vancouver
Herman H. Kahn
Managing Director, Lehman Brothers
Kuhn Loeb Inc., New York
Simon Reisman
President, Reiscar Ltd., Ottawa
Nathan Starr
President and Chief Executive Officer
Acklands, Toronto
*Samuel Wallin
President
Queen-Yonge Investments Ltd., Toronto
Donald J. Wilkins
Chairman of the Board
Acklands, Toronto
*deceased

Executive Committee

Moshe Bessin	Donald J. Dawson
Donald E. Boxer	Nathan Starr
Donald Carr, Q.C.	Donald J. Wilkins
Daniel W. Casey	

Compensation Committee

Simon Reisman, Chairman
Donald Carr, Q.C.
Daniel W. Casey

Audit Committee

Jacques Douville, Chairman
Daniel W. Casey
Donald E. Boxer

Major Divisions

Acklands Automotive
Acklands House of Tools
Bumper To Bumper
Gillis & Warren
Maurice Rousseau

Moto-Rite
Regent Automotive
Taylor, Pearson & Carson
T.P.C. Turfcare
Westair Sales Company

Western Automotive Rebuilders
Western Warehouse Distributors
Westward Distributors
Westward Power

Directory

Officers and Staff

Victor A. Aker
Vice-President, Industrial Marketing

Berl Bessin
Assistant Vice-President,
International Division

Moshe Bessin
Vice-President,
Planning and Research

Samuel H. Blank
Vice-President,
Corporate Merchandising

Paul Burns
Senior Vice-President,
Administration

David M. Craig
Vice-President, Credit

Douglas G. Cumming
Senior Vice-President,
Operations

Bob Cushnaghan
Director of Corporate
Industrial Purchasing

Donald J. Dawson
Senior Vice-President
and General Manager

Walter Fedorak
General Manager,
Alberta

Blake E. Forrest
Vice-President,
International Division

Arnold Glass
Vice-President, Finance
and Secretary-Treasurer

Arnold Harbour
General Manager, Manitoba and
Northwestern Ontario

Eugene Hretzay
Assistant Secretary

Michael Joel
General Manager, Moto-Rite

Leonard J. Kenna
Vice-President, Special Projects

Alex Kozma
Vice-President, Internal Audit

Donald T. Langton
Vice-President,
Automotive Warehouse Division

Leonard Lavoie
Manager, Information Services

Pierre Maranda
General Manager,
Quebec

Gerald W. McCallum
Assistant Treasurer

John Miller
General Manager,
British Columbia

Kiyo Nonomura
Director of Corporate
Automotive Purchasing

Ronald Rezetko
General Manager, Bumper To Bumper

Joseph J. Rorai
General Manager, Ontario Branches

Samuel N. Smilski
Comptroller

Nathan Starr
President and Chief Executive Officer

Theodore Stokes
Vice-President and General Manager,
Saskatchewan

Lloyd Utigard
Vice-President and General Manager,
Western Automotive Rebuilders

Donald J. Wilkins
Chairman of the Board

Corporate Data

Auditors
Thorne Riddell, Winnipeg

Transfer Agents and Registrars
Common Shares
The Canada Trust Co.
Vancouver, Winnipeg, Toronto and
Montreal

Second Preference Shares, Series A
The Crown Trust Company, Vancouver,
Winnipeg, Toronto and Montreal

Counsel
Sokolov Klein, Winnipeg

Share Listings
Toronto and Winnipeg
Stock Exchanges
Ticker Symbol: ACK

Head Office
125 Higgins Avenue
Winnipeg, Manitoba
R3B 0B6
Telephone (204) 956-0880

